

Message Text

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ACTION EB-11

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L-03 NSAE-00 NSC-07 OMB-01 PM-07 RSC-01 SAM-01 SCI-06

SP-03 SS-20 STR-08 TRSE-00 FRB-03 FEA-02 SWF-02 PA-04

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INFO AMCONSUL CALGARY

AMCONSUL VANCOUVER

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E.O. 11652: N/A

TAGS: ENRG, CA, US

SUBJ: ENERGY: CANADIAN NATURAL GAS PRICE INCREASE

RUSS MUNRO STORY IN SEPT 24 TORONTO GLOBE AND MAIL, AFTER
QUOTING FROM STATE DEPARTMENT PRESS BRIEFING OF SEPT 23
ON CANADIAN NATURAL GAS PRICE AND NOTING THAT U.S. PROTEST
WAS REGISTERED ON SEPT 19 BY DEP ASST SEC KATZ TO CANADIAN
CHARGE MCKINNEY, MAKES FOLLOWING POINTS:

BEGIN QUOTE. STATE DEPARTMENT OFFICIALS BELIEVE THAT THE
EMERGENCE OF A TWO-PRICE POLICY FOR NATURAL GAS WILL HURT THE
UNITED STATES IN TWO WAYS. FIRST, THEY SAY, AN ARTIFICALLY
LOW PRICE FOR CANADIAN USERS WILL ENCOURAGE OVER-CONSUMPTION
OR WASTEFUL USE IN CANADA, THUS DECREASING THE SURPLUS
AVAILABLE FOR EXPORT TO THE UNITED STATES.

SIGNIFICANTLY, THE UNITED STATES ENCOURAGES THE SAME
THING BY CONTROLLING THE INTERSTATE PRICE OF NATURAL
GAS, KEEPING IT WELL BELOW THE MARKET PRICE WITHIN
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INDIVIDUAL STATES.

THE SECOND U.S. CONCERN IS THAT A CONTROLLED, LOW PRICE FOR NATURAL GAS WITHIN CANADA WILL GIVE AN ARTIFICIAL ADVANTAGE TO CANADIAN EXPORTS MANUFACTURED FROM NATURAL GAS.

IN INTERVIEW, U.S. GOVERNMENT OFFICIALS INDICATED THAT THEY MAY NOT TAKE FURTHER ACTION IN RESPONSE TO THE INCREASED PRICE OF CANADA'S NATURAL GAS EXPORTS UNTIL THE PRICE IS FELT AT THE CONSUMER OR INDUSTRIAL LEVEL.

ONE OFFICIAL SUGGESTED THAT THE TROUBLE WILL NOT BEGIN UNTIL CONSUMERS IN NORTHERN STATES PROTEST TO THEIR CONGRESSMEN AFTER THEY FIND THAT THEIR WINTER HEATING BILL HAS GREATLY INCREASED DUE TO THE INCREASE OF CANADIAN GAS PRICES.

ANOTHER REPERCUSSION COULD COME EVEN LATER WHEN COMPETITIVELY PRICED CANADIAN PETROCHEMICALS MADE FROM CHEAP CANADIAN NATURAL GAS BEGIN MAKING INROADS IN THE U.S. MARKET. SOME OFFICIALS BELIEVE THAT SUCH A SITUATION WOULD JUSTIFY COUNTERVAILING IMPORT DUTIES AGAINST SUCH PETROCHEMICAL PRODUCTS.

AN OFFICIAL OF THE U.S. FEDERAL ENERGY ADMINISTRATION SAID HIS ORGANIZATION'S MAIN CONCERN IS NOT THE NEW TWO-PRICE POLICY FOR NATURAL GAS. SAYING THAT HE WAS NOT NECESSARILY EXPRESSING THE FORMAL POSITION OF HIS AGENCY, HE SAID "OUR BIG PROBLEM IS SUPPLY - IT SHAKES US UP THAT THE SUPPLY MIGHT BE CUT."

HE ALSO OBSERVED THAT THE UNITED STATES ITSELF FOLLOWS A TWO-PRICE POLICY ON A MODEST SCALE IN ITS OIL EXPORTS. THE UNITED STATES EXPORTS ABOUT 500,000 BARRELS OF CRUDE OIL A MONTH AT THE WORLD MARKET PRICE, HE SAID, EVEN THOUGH U.S. CRUDE OIL IS SOLD DOMESTICALLY AT LOWER, CONTROLLED PRICES. END QUOTE
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